

Fact Sheet: Changes to Utah's Individual Income Tax

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- **Taxpayers should know that the "flat tax" option calculated on the 2007 tax year return IS NOT the same "single rate" tax system in effect beginning with the 2008 tax year.**

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Tax Year 2006 Changes (Returns generally filed by April 2007)

- The Legislature expanded the traditional system's tax brackets and reduced the tax rate for the top bracket.

Tax Year 2007 Changes (Returns generally filed by April 2008)

- The most notable change taking effect for tax year 2007 is that a taxpayer may elect to pay individual income tax under a "flat tax" calculation or under the traditional multi-rate method. On the 2007 Utah individual income tax return, a taxpayer calculates the tax using both methods and pays the lesser of the two.
- Taxpayers should know that the "flat tax" option calculated on the 2007 tax year return IS NOT the same "single rate" tax system in effect beginning with the 2008 tax year.

Tax Year 2008 Changes (Returns generally filed by April 2009)

- Additional changes will take place when taxpayers file their individual income tax return for tax year 2008. Notable changes include:
 - ▶ the traditional income tax using multiple rates is no longer imposed;
 - ▶ the tax rate under the "single rate" tax is 5.00%; and
 - ▶ most taxpayers will be able to claim one or more new non-refundable credits, including:
 - a taxpayer tax credit; and
 - a retirement tax credit.
- The taxpayer tax credit calculation incorporates a taxpayer's federal personal exemptions and standard deduction or itemized deductions. The retirement tax credit applies to those age 65 or older or those under age 65 with certain retirement income. Above certain income levels, these credits phase out as income increases. Examples of how to calculate the taxpayer tax credit and retirement tax credit are included on the following page.
- Existing tax credits available under the individual income tax (such as low income housing historic preservation, at-home parent, etc.) continue under the new single rate individual income tax.
- For additional information on the recent tax changes enacted by the Legislature, taxpayers can refer to the following website: <http://le.utah.gov/lrgc/BriefingPapers/TaxReliefandReform2007.pdf>

New Income Tax Calculation (Tax Year 2008)

	Family of Four				Couple Over 65		
TAX BEFORE CREDITS							
	Example 1	Example 2	Example 3		Example 4	Example 5	Example 6
1 Modified Adjusted Gross Income (MAGI)	\$20,000	\$50,000	\$150,000		\$20,000	\$50,000	\$150,000
2 Tax Rate (5.0%)	5.0%	5.0%	5.0%		5.0%	5.0%	5.0%
3 FLAT TAX BEFORE CREDITS (5.0% tax rate x MAGI)	\$1,000	\$2,500	\$7,500		\$1,000	\$2,500	\$7,500
TAXPAYER CREDIT CALCULATION							
4 Federal Standard Deduction or Itemized Deductions Other Than State Income Tax	\$10,900	\$10,900	\$10,900		\$13,000	\$13,000	\$13,000
5 75% of Federal Personal Exemptions	\$10,500	\$10,500	\$10,500		\$5,250	\$5,250	\$5,250
6 Federal Deduction Subtotal	\$21,400	\$21,400	\$21,400		\$18,250	\$18,250	\$18,250
7 Taxpayer Credit Before Phaseout (line 6 x 6%)	\$1,284	\$1,284	\$1,284		\$1,095	\$1,095	\$1,095
8 Credit Phaseout Beginning Point (\$12,000 Single / \$18,000 Head of Household / \$24,000 Married)	\$24,000	\$24,000	\$24,000		\$24,000	\$24,000	\$24,000
9 Income Above Phaseout Beginning Point (Subtract line 8 from line 1, 0 if less than 0)	\$0	\$26,000	\$126,000		\$0	\$26,000	\$126,000
10 Credit Reduction Amount (Multiply line 9 by .013)	\$0	\$338	\$1,638		\$0	\$338	\$1,638
11 TAXPAYER CREDIT AFTER PHASEOUT (Subtract line 10 from line 7, 0 if less than 0)	\$1,284	\$946	\$0		\$1,095	\$757	\$0
RETIREMENT CREDIT CALCULATION							
12 Number of Taxpayers Over 65 (or under 65 with certain retirement income)	0	0	0		2	2	2
13 Retirement Credit Before Phaseout (\$450 per taxpayer 65 or over / up to \$288 if under age 65 with certain retirement income)	n/a	n/a	n/a		\$900	\$900	\$900
14 Retirement Credit Phaseout Beginning Point (\$25,000 Single / \$32,000 Married or Head of Household)	n/a	n/a	n/a		\$32,000	\$32,000	\$32,000
15 Income Above Phaseout Beginning Point (Subtract line 14 from line 1, 0 if less than 0)	n/a	n/a	n/a		\$0	\$18,000	\$118,000
16 Credit Reduction Amount (Multiply line 15 by .025)	n/a	n/a	n/a		\$0	\$450	\$2,950
17 RETIREMENT CREDIT AFTER PHASEOUT (Subtract line 16 from line 13, 0 if less than 0)	\$0	\$0	\$0		\$900	\$450	\$0
TAX AFTER CREDITS							
18 TAX LIABILITY AFTER CREDITS (Subtract lines 17 and 11 [and any other credits] from line 3, 0 if less than 0)	\$0	\$1,554	\$7,500		\$0	\$1,293	\$7,500